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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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DAILY DIGEST
MAR 31 1951

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- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" -- items indicating Soviet-Communist intentions or capabilities
 - "B" -- important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" -- other information indicating trends and potential developments

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SECTION 1 (SOVIET)

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"A" EASTERN EUROPE. ALBANIA. French Legation Reports Governmental Crisis.
The French Leg in Tirana reports that an atmosphere of crisis continues in the Albanian capital. Disagreement among the high-level government officials has broken out over implementation of the harsh law against terrorist activities decreed on 26 Feb as a result of the bombing of the Soviet Leg on 19 Feb. The Minister of Justice, Dr. Manol Konomi, has reportedly resigned in protest against the decree which deprives the accused of all legal rights, and includes arbitrary arrest, trials in camera without defense counsel, conviction without appeal, and execution immediately after sentence. According to the French Leg, Konomi, Vice Premier Tuk Jakova, and Major General Spiro Moisiu, commander of the Tirana Garrison, with the support of Premier Enver Hoxha are sympathetic with the population. The Minister of Interior, Major General Mehmet Shehu, who is generally regarded as the eventual successor to Hoxha, leads the opposing pro-Soviet faction. The Leg reports that the divergence of views between the two groups explains the tension prevailing in the ministerial residential quarter, which is under military guard not only for security purposes but also because several dissident ministers are reported to be confined to their homes. The Leg concludes that because of the profound domestic disturbance the

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Soviet grip on Albania has been accelerated and strengthened. []
 [] COMMENT: Premier Hoxha has been reported to be nothing but a convenient Soviet figurehead in Albania for some time. Shehu, on the other hand, has the reputation of being the leading agent of Soviet policy in the country. [] bear out the French Legation's conclusion that Soviet influence and direction in Albania have greatly increased during the past six months.

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"B" POLAND. 1951 Budget Double That of 1950. In a preliminary analysis of the Polish budget and economic plan for 1951, which were presented to the Polish Sejm as one document, the US Emb reports that announced revenues will total 55,972 billion zloties and expenditures 51,891 billion zloties, with the surplus allocated for "seasonal difficulties and guaranteed stabilization of the currency." The 1951 budget represents an increase of approximately 28 billion zloties in the new deflated currency over that of 1950, which the Emb ascribes to (1) inclusion of regional budgets in the national budget, (2) the increased volume of state controlled activities, and (3) greater investments in industry. According to official figures, 72% of the budget is devoted to increasing the economic potential and "social-cultural" activities, 12.9% for administration and justice, 7.2% for defense and 7.9% for "other" activities. The official report adds that one fourth of the national income is devoted to "investments." According to Emb calculations based on official figures, expenditures for defense increased by about 50% (i.e., from 2.5 to 3.7 billion zloties, although the overall 1951 budget is 105% greater than that of 1950). The allocation for state agricultural machinery centers, an important factor in the collectivization of agriculture, is increased by 231%, in order to facilitate "the passing over to cooperative farms." []
COMMENT: The greatest emphasis in the 1951 Polish budget is, similarly to that of 1950, on capital investment. Despite the fact that the Polish army has been expanding in recent years and its equipment has steadily improved, the official percentage allocations for military activities have decreased - (8.4% - 1949, 7.9% - 1950, and 7.2% - 1951). Poland's official rate of exchange has been the totally unrealistic one of 4 zloties per dollar since 29 Oct 50, when Poland announced the pegging of its currency to gold.

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"B" YUGOSLAVIA. Champion of Nationalist Communism. In a recent discussion of the question of Chinese Communist representation at the forthcoming session of the UN Human Rights Commission, a Yugoslav delegate to the UN declared that his Government would support the admission of Communist China for purely political reasons. He stated that the Yugoslav position was not based on any fear of aggravating the USSR or any hope of gaining Mao's friendship, but rather on Yugoslavia's intention to maintain its position as the champion of nationalist Communism. The Yugoslav delegate stated that by supporting another Communist Government, Yugoslavia deprived the USSR of the possibility of discrediting it as a Communist entity, or of claiming that Yugoslavia had deserted the Communist cause and joined the Western Powers. []

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"B" Social Consulates at Zagreb and Split Closed. US Emb Belgrade reports that the Yugoslav Government has requested the USSR to close its consulates in Zagreb and Split and to remove their eight staff members from Yugoslav territory immediately. The request was based principally on the grounds of the lack of reciprocity, since the USSR does not permit Yugoslav consulates outside of Moscow. The Yugoslav Government also noted that the Soviet consulates in Zagreb and Split had no proper consular functions to justify their existence. According to the US Emb Belgrade, the Soviet Government has already complied by closing the consulates and the Soviet personnel are preparing to leave the country.

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SECTION 2 (EASTERN)

"B" IRAN. New Strikes Spread in the Oil Fields. The total number of workers now on strike in the oil fields of southern Iran number 12,000, according to a report from the Anglo-Iranian Oil Company (AIOC). The present stoppage, as reported by AIOC spokesmen, is the result of a strike by transport workers at Masdjed Soleiman which has prevented workers in nearby fields from reaching their jobs. The AIOC also reported that the strike was led by 32 organizers associated with the pro-Soviet Tudeh Party, but posing as National Front members. [REDACTED]

[REDACTED] COMMENT: Currently unstable conditions in Iran provide the pro-Soviet Tudeh Party with an excellent opportunity to further the Communists' traditional policy of promoting Iranian dependence on its Soviet neighbor and removing Western influence from Iran. While there have been repeated rumors of collaboration between the Tudeh and the National Front in agitating for nationalization of Iran's oil industry, there continues to be no direct evidence implicating the Tudeh either in the recent assassinations or in the present series of strikes. However, Tudeh agitators are undoubtedly active among the strikers.

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"C" New Propaganda Chief Named. Mohammed Hedjazi, well-known writer and official of the Propaganda Department, has been appointed Chief of the Department of Press and Propaganda. Hedjazi replaces Faryar, who states that he resigned because the UN did not approve his taking leave from that organization. [REDACTED] COMMENT: Hedjazi is reportedly a close friend of Seyyid Zia ed din Tabatabai and once edited Seyyid Zia's paper Vazifeh. The UK is supporting Seyyid Zia to succeed Prime Minister Ala, who has stated that he intended to remain Prime Minister only until "a strong man" could be found to replace him. Accordingly, it is possible that the Hedjazi appointment may strengthen Seyyid Zia's position as a candidate for the Prime Ministership.

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"C" INDIA. Grain Needed Urgently. The Indian press is increasingly concerned over the threat of famine for millions of Indians. One of India's influential newspapers, the Hindustan Times, editorially points out that it is no longer a question as to whether the US gives food to India as a gift or on an "easy-term loan;" the only important point, according to the editorial, is that food reach India quickly in order "to avert another vast human tragedy; to delay aid under these circumstances is to deny it." [REDACTED]

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"C" PHILIPPINES. Huk Anniversary Passes Quietly. The ninth anniversary (29 March) of the Huks passed without the occurrence of threatened widespread raids, [REDACTED] An Army spokesman said defense measures, which included shifting sizeable forces into the field and establishing guards around Manila and other large

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cities, apparently caused the Huks to forego their planned "celebration". The Army will continue on the alert, however, in the belief that the Huks are merely biding their time in the hope the troops will relax their readiness for battle. [REDACTED] COMMENT: Failure of the Huks to launch widespread raids on 29 March indicates they must still (1) rely heavily upon the element of surprise, and (2) avoid frontal contact with the Armed Forces.

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"A" INDOCHINA. Viet Minh Continues Attacks in Tonkin. Localized attacks by the Viet Minh on the French defense line between Hanoi and Haiphong have been renewed after a brief lull. French forces have so far succeeded in repulsing these attacks and are awaiting an expected major offensive. [REDACTED] COMMENT: Unless the Viet Minh launches its major offensive soon, clear weather, which will certainly come before mid-April, will permit French aviation to operate effectively, thus greatly enhancing French capabilities.

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"C" French Officials Stall Off US Project. French procrastination with respect to an offer of US financial assistance to local Chinese schools has prompted Minister Heath to comment that this project and many other US projects in Indochina seem clearly to be viewed by the French as "temporary expedients to be endured until the current time of trouble passes and at worst as chips at the foundation stones of French authority in this country." [REDACTED]

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"C" Vietnamese Police Restive in Hanoi. The recent shake-up in top personnel of the administration of North Vietnam, which has been undertaken at the instance of Premier Tran Van Huu, has produced unrest among the Vietnamese police of Hanoi. There have been signs of a developing police strike, records have been burned, and some political prisoners have been released. The French Surete chief feels that the situation is under control, but admits that it is "unpleasant". [REDACTED] COMMENT: The Tran Van Huu government is generally unpopular and particularly so in North Vietnam. Huu's substitution in the North Vietnam administration of his own incompetent followers for the capable outgoing administrators (especially Governor Tri and Police Chief Tai) will weaken the administration and the morale of non-Communist nationalists in that critical area.

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SECTION 3 (WESTERN)

"B" GERMANY-FRANCE. Relation of Saar Question to Schuman Plan. The Foreign Affairs Committee of the Federal Republic Bundestag has decided unanimously to request Government negotiations with the French for clarification of the Saar's status with respect to the Schuman Plan, and Chancellor Adenauer's representative in Schuman Plan matters supports this move. Although the committee does not anticipate French insistence on signing the pool treaty for the Saar, there is a "great deal of concern" lest Schuman may later attempt to represent the Saar in the pool's Ministerial Council. Furthermore, Kurt Schumacher's deputy in the Socialist Party (SPD) predicts that the handling of the Saar issue "could have a decisive influence" on the outcome of Adenauer's efforts to obtain ratification of the Treaty in the Bundestag. Despite "strong evidence", however, that final ratification may be achieved only by "an exceedingly slim majority", it appears probable that it will be forthcoming. The Government's refutation of SPD charges against the Schuman Plan has apparently been well received by the public, which is believed to favor strongly the development of supranational agencies.

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"C" AUSTRIA. Police Chief Transferred on Soviet Orders. Minister of the Interior Helmer has revealed that the police chief of Vienna's 22nd District was transferred from his post as a result of demands made by the Soviet military commander in Vienna. The Soviet commander expressed an inability to cooperate with the police chief because of his "anti-Soviet attitude", and demanded the chief's replacement by 15 March. The chief was transferred as of 16 March, though Helmer contemplates further representations by the Austrian Government to the Soviet High Commissioner. Helmer said he was not informed of the nature of the chief's "anti-Soviet" activities.

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COMMENT: The current campaign of the Austrian Government to weed Communists out of the police forces was expected to meet with strong Soviet resistance. The charges against the Vienna chief may be a case of retaliation. On 1 March the Soviet commandant in the city of St. Poelten demanded the removal of two local police officers on the grounds of their participation in war crimes. The Austrian Interior Ministry refused to recognize the suspensions, although it undertook the investigation of charges in the case of one of the men. Both of the officers are on "official leave".

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"C" JAPAN. Communist-Led Students to Demonstrate in April. Kyodo reports that the Japan Communist Party apparently will make use of college students to spread anti-imperialism and anti-Americanism during an "April Offensive". The overall peace treaty and anti-rearmament issues will be tied in with student gripes. Kyodo states that the Party, realizing its alienation from the people, will attempt to work through the students rather than try to exploit the local April elections. [REDACTED] COMMENT: While Communist "offensives" sometimes fail to materialize, Zengakuren, the National Federation of Student Self-Government Associations, has instigated a series of demonstrations twice within the past year. It is likely that Zengakuren will attempt to get an offensive moving this spring since the economic condition of Japan's students lends itself to Communist exploitation.

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"C" Bans on Communist Newspapers. "Central News" reports that over 1300 extreme leftist newspapers have been banned by the Attorney General's Office since 18 July 1950 when the original ban on AKAHATA, the official Japan Communist Party daily, was ordered. The latest ban hit JINMIN SHIMBUN (People's News), generally regarded as the current successor to AKAHATA. The ban was followed by raids on some 90 locations involved in printing and distributing the JINMIN SHIMBUN which resulted in 27 arrests. [REDACTED] COMMENT: Initially the bans on various Communist publications proved only partially effective, since any particular paper which was suppressed, as in the case of AKAHATA, would reappear shortly under a different name. More effective suppression of the Communist press has been effected as a result of the recent police policy of arresting and trying key individuals.

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"A" ITALY. Communist Defectionist Group Issues New Manifesto. Communist defectionist parliamentarians Magnani and Cucchi have issued a manifesto for their new anti-Stalinist movement, stating that it stands for a free Italy run neither by the Soviet Union nor the Western powers. The manifesto was addressed to "workers, peasants, partisans and intellectuals". It called on them to reassert their confidence in a peace based on unity, liberty and democracy at home and solidarity among the nations ready to defend themselves from any aggression.

Cucchi and Magnani had previously explained their position on foreign policy as follows: They are neutral regarding the Atlantic Pact because this pact subordinates Italy to US policy in, for example, a decision as to whether "Europe should be defended along the Gothic Line of the Po Valley". They are not, however, anti-US as such, and they emphasize that in case of war they are against the aggressor and would accept any alliance against him.

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COMMENT: It is to be expected that the Magnani-Cucchi movement will eventually undertake a positive support of the Atlantic Pact. The new manifesto appears to indicate that the movement is operating separately from the Unitary Socialist Party, with which it has had a working alliance in Parliament. As anticipated, this alliance seems to be impeded by the projected unification of the Unitary Socialists with the right-wing Socialist Party of Italian Workers.

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"C" BELGIUM. Unrest over Leopold Question Expected in Fall. According to the conservative newspaper, De Nieuwe Gids, fierce agitation for the formation of a coalition Government is expected in September, when the Prince Royal ascends the throne. The paper adds that the Government, which is now better armed, probably will not give in to threats of political strikes, riots and sabotage as it did during the strike action of July 1950.

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COMMENT: While the newspaper's barb seems aimed at the Socialists, who recently combined the four Socialist movements in order to fight the one-party Catholic Government, it seems unlikely that either of the two major opposition parties--the Socialist or the Liberal--would be willing to participate with the present Government, which controls a majority in each house of Parliament. Some agitation, however, is expected in September, although it probably will not by any means reach the serious proportions of last July. The Communists' influence is at present negligible, and they probably will not be able to obtain Socialist support in a strike solely for political purposes. Agitation is also expected among the extreme pro-Leopold element in Flanders.

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"B" UNITED KINGDOM. Cabinet Favors Consultation of Chinese Communists on Japanese Peace Treaty. The Cabinet has decided that the Chinese Communists should be consulted on the Japanese peace treaty, thus rejecting the Foreign Office's proposed formula for evading the issue

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COMMENT: By this decision the UK has reaffirmed a basic policy governing its relations with the Chinese Communists. For many months the UK Government has maintained that the Peiping regime is the proper international spokesman for China; and the Commonwealth Prime Ministers Conference in January went on record as favoring Chinese Communist participation in Japanese peace treaty negotiations. Recent indications of a tougher UK attitude toward Peiping remain subordinate to this fundamental British position.

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31 March 1951

DEPUTY FOREIGN MINISTERS' CONFERENCE

"A" Further Reactions to the New Soviet Proposals. In commenting on the new Soviet proposal with regard to German demilitarization, Embassy Moscow and the Chief of the US delegation agree that from the Soviet viewpoint it represents a genuine concession. The Embassy notes that the question of the demilitarization of Germany is no longer a separate item slanted exclusively toward the Potsdam Agreement, and, although still the first item for discussion, may now be considered in the context of general tensions. Both the Embassy and the US delegation believe that the Soviet formulation of the demilitarization item should be accepted since refusal could not be sufficiently justified to enlist general support. If this step is taken the Chief of the US delegation believes that the British and French will go along with suitable tactics in firmly negotiating modification of other parts of the Soviet draft.

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Subsequently, at the 30 March meeting the USSR introduced new questions concerning the North Atlantic Treaty, US military bases in Europe and the Near East, and, in connection with discussion of the Satellite and Italian peace treaties, "agreements of four powers concerning Germany and Austria, including questions of de-Nazification and democratization and of war criminals".

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SECTION 2 (EASTERN)

"C" CEYLON. Ceylon Politics. On 28 March Home Minister Sir Oliver Goonetilleke stated that he is increasingly worried over the outcome of the next elections. He was recently recalled as Ceylon's High Commissioner to London to assist in assuring the re-election of the United National Party. He is inclined to fear the elections may be lost unless outside help is obtained, and mentioned Australia and the US in this connection. Sir Oliver has stated that he is especially worried to find that the Communists are making serious inroads in the rural areas which were formerly UNP strongholds. The government is

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postponing the elections until August 1952 even though, for strategic reasons, an earlier date may be announced. [REDACTED]

[REDACTED] COMMENT: Sir Oliver's reputation [REDACTED] would tend to lend some suspicion to his warning of Communist inroads in Ceylon, since he is obviously aiming at additional US support and since he is building himself up as a candidate for Prime Minister. There is, however, other evidence to the effect that, despite the vigorous opposition of the present Prime Minister, the leftist movement has made serious inroads into the ranks of government employees, including teachers. If the UNP should break up into its several component parts--for example, at the death of the present Prime Minister -- there might develop a situation in which a leftist-dominated coalition could achieve control of the government.

SECTION 3 (WESTERN)

"B" GERMANY. Restrictions on German Industry Are Relaxed. On 2 April, the Allied High Commission in Bonn will transmit to Chancellor Adenauer the revised agreement on Prohibited and Limited Industries (PLI). An accompanying letter will point out that the agreement, subject to review no later than the end of this year, relaxes the limitations on German industry and will facilitate German production of items and materials needed in the common defense of the West. For purposes of defense, the High Commission will be willing to authorize German steel production greater than the 11.1 million tons previously permitted. Among other modifications, the restrictions on the size and speed of German merchant ships are removed, as are the prohibitions on the production of synthetic oil and rubber. Germans will no longer be required to obtain a license to manufacture machine tools, but they must report the intended destination of each machine and the number of such machines in Germany. [REDACTED] COMMENT: The Germans will greet this action with mild enthusiasm, while expressing their desire for the complete removal of restrictions. Further steps, however, are not likely to be taken by the Allies until West German armed forces are in process of creation.

"B" UNITED KINGDOM. Cabinet to Decide on Presenting Defense Proposals to Egypt. A Cabinet decision on presenting British defense proposals to Egypt will be made on 2 April. The proposals, drafted by the British Joint Chiefs and the Foreign Office together, are thought by US Embassy London to include a phased evacuation of British troops from Egypt by 1956 and provisions for Britain to obtain by lease certain rights in the bases they presently occupy. In reaching its decision on this question, the Cabinet must consider the recently demonstrated strength

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of Parliamentary opposition, especially within the Labor Party, to a policy of making further concessions to Egypt. Therefore, Foreign Office officials are uncertain about the fate of the proposals; but they feel the Cabinet, not considering itself competent to amend the plan, will either approve it or drop it completely. The Foreign Office also fears that Egypt may reject the British offer even if it is made.

[REDACTED] COMMENT: The refusal of the Cabinet to accept the proposals would mean the sacrifice of a year's diplomatic efforts, and perhaps a very considerable further delay in presenting defense proposals to Egypt, since a pause now could easily be interpreted in Egypt as lack of British good faith. Although the Anglo-Egyptian treaty does not expire until 1956, a plan for the future must be worked out soon, because the British will need time not only to evacuate their troops but also to secure and construct other facilities in the region for the troops now located in Egypt.

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British Have No Plans to Station Naval Vessels Off Abadan. The UK Foreign Office has informed US Embassy London that the cruiser Gambia of the Mediterranean Fleet has been dispatched to Aden as a precaution in event of trouble in southern Iran, but that there is at present no indication that it will be sent into the Persian Gulf. The transfer, which seems to have come as something of a surprise to the Foreign Office, has been made to provide a replacement for the cruiser Mauritius, now based on Ceylon and in need of repair. The frigates Flamingo and Wild Goose, permanently stationed in the Persian Gulf, are currently at Bahrein according to normal schedule and have not gone to Abadan as reported in the press. The Foreign Office believes that there is no imminent danger in southern Iran but does not deny that it would use the vessels to protect British lives. [REDACTED]

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Cabinet May Review Policy on Spain. The Foreign Office has told US Embassy London that it is presently considering the desirability of associating Spain in Western defense arrangements, that the Cabinet may examine the question next week, and that the UK position will have to be made public after Parliament reassembles on 3 April, if not before.

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